

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6964**

**BILL NUMBER:** SB 477

**NOTE PREPARED:** Jan 8, 2004

**BILL AMENDED:**

**SUBJECT:** Growth Related Projects and Land Conservation.

**FIRST AUTHOR:** Sen. Mrvan

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill prohibits various state agencies from funding growth related projects in certain areas. The bill requires the Department of Local Government Finance to give priority to school construction projects that: (1) renovate or expand existing school buildings; (2) serve existing neighborhoods; (3) do not contribute to the conversion of farm lands; and (4) do not require new water or sewer infrastructure. The bill provides a tax credit for job creation in certain municipal areas. It also establishes the Hoosier Legacy Fund to fund eligible projects under the United States Department of Agriculture's farmland preservation and forest legacy programs. The bill authorizes the Land Resources Council to identify priority funding areas and perform certain other tasks.

**Effective Date:** July 1, 2004; January 1, 2005.

**Explanation of State Expenditures:** *Smart Growth Job Creation Tax Credit:* The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this tax credit. These expenses presumably could be absorbed given the DOR's existing budget and resources.

*Farmland Preservation and Forest Legacy:* The Department of Natural Resources (DNR) is to administer the Hoosier Legacy Fund. This provision should result in no additional expenses to the DNR because expenses incurred for administering the Fund are to be paid from money in the Fund.

**Explanation of State Revenues:** *Containing Urban Sprawl:* This bill provides that the Department of Commerce, the State Budget Agency, the Department of Transportation, and the Department of Environmental Management may not fund a growth-related project in an area that is not a "priority funding

area.” The bill defines a “priority funding area” as is defined by the boundaries of a municipality existing on July 1, 2004; or zoned industrial areas served by a public or community water and sewer system contiguous to a municipality. This provision will have an indeterminable impact on the funding provided by the agencies.

With respect to funding offered by the Department of Commerce (IDOC), the IDOC uses the Infrastructure Development Grant Fund to finance projects related to infrastructure projects. The bill may result in a greater share of the funding going to redevelopment and upgrading of existing infrastructure. It could reduce the need to support sewer, water, or other infrastructure projects associated with sprawl and free up these funds for other community projects. The IDOC has many more requests for assistance than funds.

*Smart Growth Job Creation Credit:* The bill establishes a refundable tax credit against the Adjusted Gross Income Tax, Financial Institutions Tax, and Insurance Premiums Tax for the establishment or expansion of a business facility located in a priority funding area that results in job creation. The impact of this provision will depend on the number and nature of businesses that elect to locate in a priority funding area and the number and types of jobs created. If a taxpayer established or expanded in a priority funding area with 60 employees, their maximum tax credit would be \$60,000.

To qualify for the credit, the establishment or expansion must create: (1) at least 60 new positions; (2) at least 30 new positions if the total payroll for the new positions is greater than 60 times the state average salary; or (3) at least 25 new positions if the taxpayer is engaged in an industry specified in the bill. The credit is the lesser of the number of qualified positions multiplied by \$1,000, or the aggregate total of wages paid by the taxpayer to the qualified employees multiplied by 2.5%. If the credit exceeds a taxpayer's tax liability, the credit may be carried forward or refunded. The credit may not be carried back. If the taxpayer is a pass through entity and does not have a tax liability, the credit could be taken by shareholders, partners, or members of the pass through entity in proportion to their distributive income from the pass through entity. Since the credit is effective beginning in tax year 2005, the fiscal impact could potentially begin in FY 2005 if taxpayers adjust their quarterly estimated payments. Revenue from the AGI Tax on corporations, the Insurance Premiums Tax, and the Financial Institutions Tax is distributed to the state General Fund. The revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

*Farmland Preservation and Forest Legacy:* The Hoosier Legacy Fund consists of appropriations made by the General Assembly, gifts and donations, federal grants, or money from other sources. This provision will allow the fund to also accept revenues from non-state sources. The Treasurer of State is to invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Money in the fund at the end of the fiscal year does not revert to the State General Fund.

**Explanation of Local Expenditures:** *Priority Construction Projects:* The Department of Local Government must give priority to school construction projects that (1) renovate or expand existing school buildings; (2) serve existing neighborhoods; (3) do not convert or contribute to the conversion of agricultural lands; and (4) do not require new water or sewer infrastructure. This provision could affect local expenditures by an indeterminable amount. The impact will depend on the number and nature of the construction projects.

Requiring businesses and industries to locate within a priority funding area could decrease costs to local units for providing, developing, or maintaining the necessary infrastructure to serve the new business or industry.

**Explanation of Local Revenues:**

**State Agencies Affected:** The Department of Local Government Finance, Department of Commerce, Department of Transportation, Department of Environmental Management, the Department of State Revenue, the Department of Natural Resources, and any other agency that distributes state or federal money for growth-related projects.

**Local Agencies Affected:** All local units.

**Information Sources:**

**Fiscal Analyst:** Jim Landers, 317-232-9869.